CHAPTER - 7

SUMMARY, FINDINGS AND SUGGESTIONS
SUMMARY

Progress of a country is measured not only in terms of GDP growth but also in terms of equity among its people. It is very important in the Indian context as on one hand there are revolutionary developments in science and technology leading to greater and faster economic development and on the other it is weighed down by high population growth and millions striving hard for basic amenities in life. In recent years, microfinance has become a major tool of development and is fast developing as an international industry with its own trade associations, dedicated finance, training and other support organizations, research and journals. Microfinance refers to the provision of micro savings, micro credit, micro insurance and other micro financial services like micro pension, micro remittances, etc. for the socially disadvantaged but for economically active poor. It has effectively addressed the issues of poverty, vulnerability and women empowerment in our society. It has a track record in improving the quality of life and living standards of the economically active poor people especially since 1970s. This recognition has given rise to a movement that has now global presence and has also penetrated into the remote rural areas, besides slums and towns. In India too, microfinance is making all its possible ways for reduction of poverty and empowerment of rural women. The initiative of 1992 to make the traditional and formal banks to extend financial services to deprived sections through informal Self Help Groups (SHGs), has now blossomed into a “monolith” microfinance initiative. It has been recognised as a decentralised, cost effective and fastest growing microfinance initiative in the world, enabling over 95 million poor households’ access to a variety of sustainable financial services from the banking system by becoming members of nearly 7.3 million SHGs upto March, 2013. Therefore, the impact and success of microfinance has to be seen from wider perspective of graduation of micro-borrowers to micro-entrepreneurs with focussed attention on poverty reduction and economic empowerment of women clients. Considering this growing importance and recognition of microfinance movement, the present research is based on the Rajasthan State as selected area where huge potentialities of developing microfinance led enterprises are there in its villages.
In current scenario as the choices for customers have also increased, the customers’ expectations have grown to enormous extents over a period of time and now days they also expect timely efficient, quality service and communication from the banks. If microfinance institution can understand which attributes are used to evaluate a service they will be better able to manage and influence the customer’s evaluations and perception of the offering. The banks understand that customers will be loyal if they receive greater value than from competitors and on the other hand banks can earn high profit if they are able to position themselves better than their competitors within a specific market. In the present research, consumer responses have been gathered to know the awareness label about various products like micro insurance, microcredit etc. The research also covered the implication of microfinance on Indian banking industry and socio economic development of Rajasthan state. The present study is a comparative analysis of microfinance activities of two banks namely SBI and HDFC bank. The study has been conducted in total seven chapters. A brief detail of the chapter are as follows:

In the Chapter 1, an introduction to the Microfinance sector and status of microfinance in India along with socio economic impact of microfinance have been given.

It is undeniable that microfinance has enormous potential to promote both economic and social development among both the rural and urban poor, proof of which lies in the countless success stories of microfinance in India and in developing and developed countries alike. It is true that microfinance may not target the poorest of the poor, yet it has done wonders for those who are economically active and who have the potential to prosper through self-employment. Not only does microfinance provide financial stability to those in dire need of it, it also promotes the idea of credit as being a fundamental human right, something which all people, regardless of their socio-economic status, should be entitled to.

The Self Help Group Bank Linkage model is a shining star in the galaxy of microfinance especially in India. It is said that any long journey starts from a small, single step. So was the journey of the Self Help Group – Bank Linkage
Programme – from linking a pilot of 500 SHGs of rural poor two decades ago, it now boasts of the world’s largest microfinance initiatives with over 7.4 million SHGs representing 97 million rural households directly becoming part of this great movement. Geographically its tentacles have now spread to every nook and corner of India – from the desert sands of Rajasthan to the forest villages of Arunachal Pradesh and from the inaccessible terrain of Jammu and Kashmir to the serene coastal villages of Lakshadweep Islands.

Microfinance has become widely recognised today as an effective tool in combating poverty and empowering the world’s marginalised populations. The process of economic growth, especially when it is on high growth trajectory, must strive to encompass participation from all sections of society. Lack of access to institutional finance for the poorer segments of our society has been recognized as a serious threat to economic growth process especially in developing countries.

Progress of a country is measured not only in terms of GDP growth but also in terms of equity among its people. It is very important in the Indian context as on the one hand there are revolutionary developments in science and technology leading to greater and faster economic development and on the other it is weighed down by high population growth and millions striving hard for basic amenities in life. Fruits of development, therefore, should be shared equitably among all. A mechanism which ensures mobilisation of poor, empowering them to look into their rights and entitlements and equipping them to take up skilled job or micro enterprises thereby leading to increase in productivity and earnings would be the most appropriate tool to ensure welfare and equity in the country. During the present study we found that Self Help endeavours pioneered by NABARD have made a positive impact in rural development context and has led to formation and credit linkage of large number of Self Help Groups under the SHG-Bank Linkage Model which has enabled the banks to reach the unreached, sustainably, in group mode. The model has also led to building of huge social capital in rural areas.

**Chapter 2 includes the whole research methodology of the study.**

It describes the whole process of the research undertaken. Two banks named SBI (public sector bank) and HDFC (private sector bank) have been chosen to conduct
the study. To study the changing awareness about microfinance product and services, primary data is collected from the customers with the help of schedule based questionnaire to evaluate the customer’s Response. For this purpose a structured questionnaire is prepared and used by the investigator. The data set, include primary data collected through structured Questionnaire and secondary data collected from earlier records, reference books, bank reports, journals, magazines and internet. The present study was limited to Rajasthan state only. For the purpose of the study Rajasthan was divided into seven divisions that are Ajmer, Jaipur, Jodhpur, Udaipur, Kota, Bharatpur, Bikaner. The research study is descriptive in nature. This study consists of 500 samples which were collected from Rajasthan State. After reviewing the literature a method has been designed to achieve the objectives of research project. In the present study secondary data has been used from NABARD reports namely "status of microfinance in India" and data related to banks has been used from RBI report "trends and progress of banking". Data from Rajasthan region was collected from the various reports of centre of microfinance Jaipur. For testing of Hypotheses primary and secondary data were used. To test the impact of demographic factors, cross tabulation, T- test, F-Test, ANOVA, Chi-Square Test have been used.

The entire data of 500 respondents was coded initially. The open ended questions were made close ended by seeing the range of responses and code sheet was devised for all the questions. Coded data were transformed to the master sheets. Following this data, tabulation was done. Frequencies of responses against their codes were tabulated and their percentages were calculated. Further, data were analyzed and conclusions and inferences were drawn in the light of the objectives of the study. ANOVA test was applied to find out mean difference between factors. The level of significance was 5 per cent. Pearson chi square test was applied to find out significant difference between percentages of various responses.

**In the Chapter 3, The status of microfinance in Rajasthan has been described.**
The SHG programme in India and in Rajasthan is the world's largest microfinance programme by an enormous margin. It is potentially the best microfinance programme in the world for a variety of reasons and the key reasons for its success
are its link with the poor people, its innovative practices, trust building at different levels between stakeholders and its capacity to enable people's participation in development. The SHG-BLP is also the largest coordinated financial inclusion programme and NABARD has always strived to broaden the ownership of the programme amongst different stakeholders like banks, NGOs, Govt. etc. It is not simply a loan interface with the poor but a holistic social contact programme with mutual benefit for the banks as well as the SHGs. This saving led model of microfinance is a successful empowerment tool which has covered almost 10 crore households in the country. It is also important to note that 86% of the groups are exclusively women groups which is a big push to the women empowerment programme. The SHG members have learnt how to become a good customer of banks. The important USPs of this programme are that NABARD has championed the programme taking other stakeholders as partners, developing savings habits, smoothening the systems for financial inclusion and meeting the financial deficits of the poor household and recognizing that though not all the members of the group will be entrepreneurs but most do need credit to meet their emergent requirements.

The Analysis also revealed that “Sakh-se-Vikas” is a regional development initiative in the state of Rajasthan. Despite being the largest state in the country, Rajasthan lags behind other states on many development indicators. The difficult geographic and climatic conditions- 60 per cent area covered with desert on the western side, hilly terrain on the southern side and proneness to droughts coupled with the weak infrastructure facilities make development a slow process. This strengthens the case for promoting microfinance as a tool for interventions to promote livelihood development and poverty reduction. The Sakh-se-Vikas initiative seeks to demonstrate poverty reduction through community-owned, financially viable microfinance programmes for underprivileged communities in Rajasthan.

In Rajasthan for the development of microfinance The Centre for microfinance (CmF), Jaipur, seeded by the Sir Ratan Tata Trust, Government of Rajasthan and established luminaries from the field of microfinance in 2005, acts as the nodal
agency for the Sakh Se Vikas Initiative, which has an outreach of 87,000 households in Rajasthan. Sakh-Se-Vikas (SSV)-Development through Credit, the Rajasthan Microfinance Initiative of the Trust, seeks to enhance livelihoods of the poor through ensuring access to basic financial services of savings, affordable credit and insurance, as the first step. Building strong community owned, self-help based institutions is the core strategy of the SSV initiative to ensure self-sustainability of these programmes.

In the Chapter 4, Microfinance Initiatives of selected banks in India and in Rajasthan has been described.

The chapter highlights that a sound and effective banking system is the backbone of an economy. The economy of a country can function smoothly without many hassles if the banking system is not only flexible but also capable of meeting the new challenges posed by the technology and other external as well as internal factors. In today’s economy, the microfinance services industry is exposed to increasing performance pressures and competitive forces. Modern media, such as the internet, have created new challenges for microfinance industry. New business concepts, a change in client sophistication, and an increasing number of new competitors entering into the market, such as independent financial consultants, and other private players have changed the business models and the competitive forces which are giving the challenges to the established financial service organizations today worldwide.

The present chapter describe the Public sector banks profile and microfinance Initiatives specially by SBI Bank along with this it also describes Private sector banks profile and Microfinance Initiatives specially by HDFC Bank. The analysis is comparative in nature in terms of Savings, Loan disbursed, loan outstanding of SHGs with selected Banks in Rajasthan.

Chapter 5 includes the data presentation, analysis and interpretation of primary data. This chapters highlights divisional classification of the state, Questionnaire distribution schedule, MFI outreach map of Rajasthan, Demographic analyses,
analysis of awareness about microfinance initiative by banks and Implication of micro-financing on Indian banking industry.

The present chapter analyze the descriptive and statistical analysis of collected data. The whole questionnaire was divided into two parts, first demographic data and second part related to research problem.

Analysis of data indicates that growth of microfinance in Rajasthan state in the last three years is not very impressive. There is a downfall in loan issued to No. of SHG figures in the state. Data indicates that in the year 2012-13, Total no of SHGs of loan has been decreased by 31% as compared to year 2010-11. In the same years growth in loan amount is very low that is 6.42% but loan outstanding has been increased by 42%. So figure indicates a doubtful position of growth in the state.

Data indicates the customer feedback about microfinance activities. The data shows that just 28 per cent of the participants have no knowledge about microfinance activities 51%. Data also indicates that almost 40% customer are not happy with the explanation about the term and conditions by money lenders. Almost 43% customers don’t receives the agreement copy by loan providers. Almost 70% customer has complained about the feedback mechanism. Most of the customers are not happy with the lender responsiveness.

Further analysis indicates the customer response about microfinance activities. Above table explains customers response about interest and other service related to microfinance. In most of the answers of above question Mean score is lower than three. It indicates that microfinance users are not satisfies with the service related issues. Data revels that lowest score is in staff’s response and prompt services provided by MFI. Employees are the back bone of any inclusion programme. But it they are not performing well as per the customer expectation then It can become a threats to the growth of such programmes like microfinance.

In most of the answers Mean score is above three but less than four. Score near to three indicates a doubtful position of customers. Most of the customers are in favor that Microfinance providers are helping the community by providing them with work. On the other side score 2.85 which is lowest indicates that Micro Finance Providers not encourage the customer to borrow More than their requirement.
Chapter 6 includes hypotheses testing from the data presentation, and interpretation.

In this chapter, the hypotheses formulated are verified and tested using the various statistical techniques and inference drawn based on the result.

Hypothesis testing is a process by which an analyst tests a statistical hypothesis. The methodology employed by the analyst depends on the nature of the data used and the objectives of the analysis. Hypothesis testing is used to infer a result of a hypothesis performed on sample data from a larger population, which can be either null or alternate. The objective of hypothesis testing is to either accept or reject the null hypothesis. The procedure for deciding if a null hypothesis should be accepted or rejected in favour of an alternate hypothesis is computed from a survey or test result and is analyzed to determine if it falls within a preset acceptance region. If it does, the null hypothesis is accepted otherwise rejected.

Statisticians have developed several tests of hypothesis or the tests of significance for the purpose of testing of hypothesis which can be classified as Parametric tests and Non-parametric tests.

HYPOTHESIS: 1

Analysis of Microfinance activities of selected Private and Public Sector Bank

H₀: There is no difference between the way microfinance is used as an emerging successful financial tool by selected public and private sector banks.

Hₐ: Public and private sector banks have different perceptions about using microfinance as financial tool.

Inference Drawn: Data revels that there has been a down fall in the No of SHGs deposited savings in SBI bank. But HDFC bank’s figures indicate that the trend is being upward. HDFC reported four times growth in the saving amount and No of SHG linked to this banks. As per Levene's Test for Equality of Variances if p value is \( p \leq 0.5 \) then it can we conclude that null hypothesis is incorrect and variances are significantly different. On the other side if \( p > 0.5 \) then it can we
conclude that null hypothesis is accepted and variances are insignificant or roughly equal hence assumption is teneable. So for both the banks null hypothesis is being rejected. Which means Public and private sector banks have different perceptions about using microfinance as financial tool.

**HYPOTHESIS: 2**

**Banking customer become more experienced and savvy using microfinance-based banking services.**

To test this Hypothesis, Data collected from the 500 sample customers of public and private sector banks below regarding microfinance products and services and their satisfaction level has been analysed:

**Inference Drawn**

Majority of the respondents were using microfinance based banking services provided by their bank from last 3-5 years, that is, 50%, followed by those who are doing it from last 3 year, then 5-10 years and very few respondents were using it from last more than 10 years.

To test the Hypothesis and for detailed analysis further sub Hypothesis has been formulated:

**Sub hypothesis**

\( H_0:- \) There is no significance difference among private and public sector banks between selected microfinance based banking services).

\( H_1:- \) There exists a significance difference among private and public sector banks between selected microfinance based banking services.

**Interpretation**

As per Levene’s Test for Equality of Variances if p value is \( p \leq 0.5 \) then it can we conclude that null hypothesis is incorrect and variances are significantly different. On the other side if \( p > 0.5 \) then it can we conclude that null hypothesis is accepted and variances are insignificant or roughly equal hence assumption is teneable. So from the p value it is clear that null hypothesis has been rejected which means
There exists a significance difference among private and public sector banks between selected microfinance based banking services.

HYPOTHESIS: 3

Customers demand a consistent service offering through microfinance

To test this Hypothesis, Data collected from the 500 sample customers of public and private sector banks below regarding banking Channel and same has been analysed:

Hypothesis testing - How do you generally come to know about the new products and services offered by your bank related to microfinance?

Observations of table show that 35.4% of respondent get information about the new products and services offered by bank which is the highest in the all above options. Out of 500 respondent 146 respondents received the information about the new products and services offered by bank through Awareness programmes.

As per Levene's Test for Equality of Variances if p value is \( p \leq 0.5 \) then it can we conclude that null hypothesis is incorrect and variances are significantly different. On the other side if \( p > 0.5 \) then it can we conclude that null hypothesis is accepted and variances are insignificant or roughly equal hence assumption is teneable.

The above analysis shows that, the habits of Indian consumer, has been on changing trend. Customers are becoming more aware about the different channel of banking and on the basis of primary and secondary data analysis our alternate hypothesis that Customers demand a consistent service offering through microfinance has been accepted.

HYPOTHESIS: 4

Now a days Customer is willing to change to a bank that offers better technology-based microfinance services.

For both the above Hypothesis This study further investigates whether demographic differences impact the respondents’ decision to stay with or leave
their banks. Demographic variables included the respondents’ age, gender, educational level, and income.

**Sub Hypotheses**

Ho:- Customers’ Demographic and Customer Retention both are independent.

H1:- Customers’ Demographic and Customer Retention both are dependent.

The analysis shows that age is related to the decision to stay with or leave service providers (see above Table). In general, when the age group of the customers increases, the customers will have higher propensity to stay with their banks. This is consistent with Oliver’s (2004) findings that younger consumers probably have a higher likelihood of leaving their banks in search of greater convenience, lower prices, higher deposit interest rates or better services. This may be because younger consumers often must adjust to significant and substantial changes in their lives. Changes might include such events as taking up tertiary study, moving away from home, finding a different job, buying a house, marrying, or having a child. Thus, these consumers thus may have strong reasons for switching banks.

One-way ANOVA was used to test whether education had an effect on customer retention. The test results demonstrated a significant effect. This may be because more highly educated consumers tend to have greater expectations of services. More educated respondents are also more well-informed. Finally, the effect of respondents’ incomes was examined. Retention for each income group were not similar to one another, with test results showing a lack of association the between income and retention. A summary of these tests is presented in Above Table.

**HYPOTHESIS: 5**

**Assessment of implications of Microfinance on Indian Banking Industry**

H₀: There has been a no impact of Microfinance on the business of commercial banks in India.

Hₐ: There has been a positive impact of Microfinance on the business of commercial banks in India.

Interpretation: Data revealed the number of Indian commercial banks recognized the useful opportunity to partner with MFIs to expand microfinance outreach in
rural areas. Several factors resulted in a large-scale expansion of commercial bank lending to MFIs for further lending to their borrowers. First, a large domestic market for microfinance was waiting to be served. Second, policy measures, such as including lending to MFIs in the list of priority sector lending activities, made this option more attractive to banks. And third, banks were keen to find new avenues for lending, especially in the rural areas. The effort was led by ICICI Bank, India’s largest private-sector bank, which provided the bulk of this financing between 2003 and 2007. ICICI Bank’s initial foray into microfinance was through the SHG–bank linkage model. In 2003 ICICI Bank merged with the Bank of Madura, a small South Indian bank that had a substantial rural presence in the state of Tamil Nadu and a strong network of SHGs. The merger helped ICICI Bank expand the financing of SHGs, but the pace of outreach was slow and the lack of rural branches in other states prevented ICICI Bank from scaling up SHG financing rapidly.

So from the above analysis and detailed literature review it can be conclude that there has been a positive impact of Microfinance on the business of commercial banks in India.

Chapter 6 Summary, Findings And Suggestions

Findings of the present study are presented in the following section. In today’s economy, the Microfinance service industry is exposed to increasing performance pressures and competitive forces. Modern media, such as the internet, have created new challenges for banking and microfinance industry. New business concepts, a change in client sophistication, and an increasing number of new competitors entering into the market, such as independent financial consultants, and other private players have changed the business models and the competitive forces which are giving the challenges to the established financial service organizations today worldwide.

Access to finance by the poor and vulnerable sections of our society is a prerequisite for poverty reduction and inclusive growth strategy. It is widely recognized that access to financial services can play a critical role in helping poor people widen their economic opportunities, increase their asset base and reduce
their vulnerability to unforeseen circumstances. This has to become an integral part of our overall financial sector development efforts which can promote inclusive growth. In financial sector, Indian Banking, influenced by the financial sector reforms and globalization is witnessing a shift away from meeting social priorities to the confronting market forces. The power of technology has fuelled this change and made profound impact on the banking business. From being enabler, IT is gradually emerging as a driver and key differentiator of business performance and competitive superiority. Microfinance is regarded as one of the most powerful weapons to bring the poor into the mainstream of development through its grass-rooted and bottom-up approach. This empirical study is made to analyze the impact of microfinance programmes promoted by both the public and private sector banks on poverty alleviation and household welfare in Rajasthan by comparing the socioeconomic conditions of the participant households. The present research also has been carried out to study various aspects of Microfinance and CSR services offered by public, private banks.

Rajasthan has a peculiar economic status, where the average land holding is comparatively high (3.7 hectare in Rajasthan, 1.5 hectare in India) and the density of population is comparatively low. There are large numbers of families which are not in BPL list but are only marginally better off than BPL. A single year of drought is enough to pull them below BPL families' status. More importantly, the whole approach of SHG is based on affinity among members and on condition that members of a group have mutual trust and can use peer pressure on each other to ensure repayments etc.

MAJOR FINDINGS

Findings of the present study are presented in the following section –

Through the survey we handled in the different districts we noticed several points that need attention, in order to understand consumer response:

1. Savings is the very first priority in joining SHGs.

2. Analysis of survey reveals that just 28 per cent of the participants are unaware about microfinance and 51% of participants do not have adequate
understanding about Microfinance activities. Data also indicates that almost 40% customer are not happy with the explanation about the term and conditions by money lenders. Almost 43% customers don’t receive the agreement copy by loan providers. Almost 70% customer has complained about the feedback mechanism. Most of the customers are not happy with the lender responsiveness.

3. SHG members are aware about one of the major problem is lack of training, in order to make up for illiteracy, bank accountancy, etc.

4. Various research studies have revealed that lack of proper training to SHGs is one of the most important reasons for poor quality of groups across country.

5. Public sector banks are not keen in promoting microfinance activities as compare to private sector banks. As per the study, it is clearly observed that customer of SBI are less aware than the customer of HDFC bank. In last few years there is s downfall in the promotion of micro saving, microcredit etc from the side of Public sector banks in Rajasthan.

6. Analysis of survey also reveals customer response about microfinance activities. In most of the answers Mean score was lower than three. that indicates that microfinance users are not satisfied with the service related issues. Data reveals that lowest score is in staff’s response and prompt services provided by MFI. Employees are the back bone of any inclusion programme. But it they are not performing well as per the customer expectation then it can become a threats to the growth of such programmes like microfinance.

7. Both Public sector Banks and Private sector Banks should extend further their depth of outreach to the poor and the vulnerable sections of the society.

8. Customer response towards banking personnel found satisfactory in private sector banks where as in public sector banks, employees are not clear in promoting microfinance activities and handing customer queries. Private sector
banks are way ahead in the customer relationship management specifically in the state of Rajasthan.

9. At present there is no authentic database available at state level. The data provided by SLBC varies a great deal from the data provided by SHPIs (Self help group promoting institution) and NABARD. A good number of SHGs get defunct which doesn't get recorded because there is no monitoring or tracking mechanism.

10. There is very less awareness about the Micro insurance. There is a lot of scope for expanding the coverage of insurance services.

11. The political interventions under the microfinance programme create adverse impact on the smooth operations of the programme and also in achieving its professed goals. Hence, the State Rajasthan Mission must take positive steps to free microfinance from politicization by framing and administering strict objective criteria for the selection of beneficiaries for various schemes as well as in disbursing financial assistance and other

12. The high interest rate of the loan given to the poor under the microfinance programme is also a cause of concern. Therefore, the Government and NGOs should make available low interest bearing or interest free loans to the clients which would make the enterprises more remunerative and reduce their repayment burden.

13. The secondary data compiled from NABARD reports reveals that SHGs who are taking credit from banks also deposit higher amounts in the bank. This indicates the **impounding of SHG savings** by Banks.

14. The bank wise data gives clear indication that **Impounding of SHG savings is a practice across banks**. In all the banks the savings of credit linked SHGs in banks were found to be more than that of non credit linked SHGs.

15. Though the credit linked SHGs are 59%, their share of total SHG deposits in the bank is 80%. It clearly illustrates that SHGs which are credit linked have to deposit more savings with banks.

16. The SHG savings in banks are equivalent to 25% of the total loan outstanding from bank, which is acting as collateral.
17. Most organizations practicing microfinance have constantly been in need of trained staff. There is also a need for capacity building of existing human resource. For meeting this scale of requirement, new institutional innovations have to be attempted, which may include courses and training programmes for capacity building on microfinance and livelihoods. Various management and training institutes in the state need to collaborate with SHPIs, federations and take up training and educational programmes in the state.

18. The social category of the SHG members is drawn on geographical patterns but also reflects the social distribution between the different castes in Rajasthan.

19. SHGs members can’t independently manage their financial record keeping because of high illiteracy incidence.

20. Major part of the land is un-irrigated, therefore non-farmable, and so useless in most of the cases, except in Jaipur; it highlights the crucial importance of water and its access. People don’t have many animals because of the un-irrigated lands. Where there are rocky lands, we observe the development of others fields. The loans are productive loans (animal husbandry, agriculture, etc.) and vital loans (domestic and health purposes, etc.). Loans from the banks are few, which translates very little cooperation and interest in working with SHGs.

21. Basic purposes are being fulfilled and economical growth is a positive sign for the future of SHGs.

22. In microfinance industry SHG is an effective institution for poverty reduction and women empowerment but it can be only effective when it is promoted with right approach and process.

23. Further many groups lost their interest in inter loaning as they feel that the interest on their savings is too low or completely absent in comparison to bank rate of interest.

24. Many members said that monthly repayment schedule was not convenient for them but in fact improper repayment schedule is one reason for weak groups.
25. There is a need for a strict monitoring-mechanism and feedback mechanism under the microfinance programme to reap better results. Monitoring-mechanism and feedback mechanism will ensure proper utilization of the loan and disbursing of benefits to the deserving clients as per the stipulated norms of each scheme. Moreover, a tight monitoring system can improve the recovery of loans, promote unity and co-operation among clients by settling their conflicts and misunderstanding and reduce the drop-outs.

26. Governments at the State and local levels and Banks should ensure ample market for the products produced by the customer. They should also support customer for improving the quality, packaging and branding of the product.

27. Microfinance consumers reported High interest rates for loans from banks. There is also Low accessibility to low interest loans of Banks; any loan product below that of the money lenders is definitely going to be taken if they are easily accessible.

28. Currently, in Rajasthan, Self Help Groups are promoted by many Government and Non Government agencies with different objectives like women empowerment, poverty alleviation, delivery of credit etc. The promoting agencies, even if they work in same village, have different vision and expectations from SHGs. This creates operational problems and confusion at the community level. This often leads to multiple memberships in SHGs and breaking of some groups.

29. Self Help Groups on their own are tiny institutions (10-20 marginalized women from very poor families). They can best be effective to provide small social capital, small savings and small credit to members. They alone and individually are not in a position to bring larger change and impact on lives of poor women unless they federate into next tier institutions and aggregate their demands and surpluses to market, to take benefit of 'economics of scale'. In Rajasthan there are about 42 Federations of SHGs and the vibrancy of SHGs through the federations is commendable. In southern states like AP, Tamil Nadu, Karnataka etc. there are thousands of federations of SHGs.
30. In Rajasthan, so far only NGOs have promoted SHG federations and the objective and perspective of different NGOs has been different. The quality and system of SHGs have been heavily influenced by the promoting institutions. It has been observed that SHGs promoted by a particular promoter federate and leave aside SHGs promoted by other promoter within same village.

31. SHGs have the potential and capacities to bridge the gap between Banks and Poor. Therefore, banks like SBI and HDFC should increase their credit through SHGs. This can be done by orientation and sensitization of branch staff, simplifying the procedure of opening bank accounts and credit sanction to SHGs, not impounding of SHG savings (while giving them loan), timely processing of loan application of SHGs, encouraging repeat credit linkages, adopting a common system of grading, appreciation of the quality of SHGs by providing credit to good groups on priority etc.

32. In the recent past, there have been some positive experiences in the form of special emphasis by banks on rural credit and SHG bank linkage programme. In Dungarpur district, Bank of Baroda collaborated with local NGO and Centre for Micro Finance (CmF) and adopted a focused approach for livelihood strengthening of HG members through timely and adequate credit. This approach can work in other districts as well. Therefore, commercial banks should take up districts where they are lead banks and adopt a focused approach where SHG promoting organization ensure the quality of SHGs and Bank ensure timely and adequate credit.

33. Government has made micro credit eligible under Priority Sector Lending of Banks. However to give impetus to banks engagement with SHG movement, government should allocate a certain percentage of priority sector lending target to SHG bank linkage. This target can be year marked at 2% of the total credit disbursement in a state of a particular bank. A committee along with SLBC may review the achievement of this target.

34. **SHG-MFI collaboration:** MFIs currently operate in urban, semi-urban and with relatively economically better off people in rural areas. MFIs can target poorer segments by collaborating with SHGs. SHGs provide a ready
platform for MFIs to scale up and impact weaker sections of poor. SHGs need more credit while MFIs look for disciplined clients with good credit record. MFIs can save on cost because SHGs are capable of taking care of back-end operations (e.g. collection, distribution, book-keeping etc) by themselves. However, for this to happen, MFIs may have to give a re-look at their cost structure and see where costs can be reduced so that the effective rate of interest to SHG members is below 20% per annum on reducing balance basis.

35. **Financial inclusion through microfinance & ICT:** Banking activities from origination, transaction to fulfillment and settlement can be completed using a mobile phone or smart cards. The 'E-Shakti' initiative was kicked off by an announcement made by NABARD in the presence of Dr. Raghuram Rajan, Governor of RBI during National Microfinance Conclave held on 13 November 2014. E-Shakti is a specially designed project for e-bookkeeping of SHG records and related Management Information System (MIS) on a real time basis. Keeping in view the need for digitization of SHG accounts & activities and to make it an easy searchable database, NABARD has launched a project for digitization of Self Help Groups (SHG). This is in tune with the GOI’s mission for creating a Digital India.

36. **Comprehensive Database of SHGs and SHG Federations:** At present there is no authentic database available at state level. The data provided by SLBC varies a great deal from the data provided by SHPIs and NABARD. A good number of SHGs get defunct which doesn’t get recorded because there is no monitoring or tracking mechanism. The number of reported SHGs seems to be inflated by 50-60%. There is urgent need for a comprehensive database of SHGs in Rajasthan. SHPI-wise or scheme-wise database may be of little use.

37. **Livelihood enhancement of poor:** Over last decade, farmers in Rajasthan have been migrating to wage labor, effectively pushing agriculture and allied activities to second & third priority. This is attributable to slow growth in agriculture in Rajasthan. Slow growth in agriculture can be traced retrospectively to low level of private investment in agriculture and
livestock, leading to low credit off take in agriculture. Even though SHG members use small credit for procuring seeds, fodder and for buying animals, large credit or large investment is usually not done unless business development services (e.g. technical services, health services for animals, marketing services to sell their produce and so on) are present. Moreover, rain fed agriculture in Rajasthan and corresponding risk-return trade-off does not encourage farmers to take credit and invest in agriculture.

SUGGESTIONS

Microfinance programme has achieved remarkable success in reaching the poor and bringing banking services to their door-steps. It has also succeeded in making the poor economically active by the way of increasing employment and income levels as well as the asset base. This intervention has become a vital channel for reducing under-nourishment and poverty and promoting human capital investment such as education and health. In addition to considerable progress in the household welfare, the clients experienced an impressive improvement in their personality and social position. However, microfinance can still serve as a better instrument of poverty alleviation and of promoting household welfare if the State Government and NGOs focus greater attention to widen economically viable self-employment choices and the skill base of the clients, to assist the clients in getting interest-free or low interest-bearing loans, in marketing and in improving the quality of their products, and also by strengthening the monitoring mechanism and ensuring benefits of the programme accruing to the core and moderate poor too. Otherwise, the potential benefits of microfinance cannot be realized on a sustainable basis.

From the district wise data it is evident that impounding of SHG savings is a state wide problem, though the intensity of the problem varies from one district to another. If this status of SHG savings in Banks is used to extrapolate at state level (average of Rs. 7890 of each SHG in bank) then the total savings of all SHGs (1.75 lakh) in banks is Rs. 138 crores. About 80% of this savings in banks are from SHGs who have taken loan from banks. As per the basic rules of SHG programme, this amount should have been with SHG members rather than with banks.
Banks should instruct their branch managers that they should not keep the savings of the SHGs seeking credit from banks. Banks must encourage withdrawal of savings by SHGs and its use as inter loan among members.

**The major issues that need to be addressed are:**

1. Access of poor to formal financial institutions.
2. Quality of the existing Self Help Groups- only 30% SHGs have been able to take loan from Banks
3. Spread of the movement: About 80% of SHGs are located in 30% of the districts
4. Outreach: Large number of poor are still beyond the reach of SHGs and formal financial institutions
5. MicroFinance is limited to micro savings and credit
6. Human resource challenge: Perspective and capacities of MF promoters is very limited. Numbers of skilled persons in microFinance is very less
7. Most mF products and services offered are predetermined and they are not based on the needs of the clients
8. There is double reporting (same group being reported by different SHG promoters). There are also cases where one person is member of many groups.
9. Largely the SHGs are promoted to meet project requirements/ targets
10. Still there are many operational problems in SHG-Bank linkage

**SCOPE FOR FURTHER RESEARCH**

Rajasthan is the largest state in India and the peculiar natural, social and economic features of Rajasthan define the need and scope for a strong microfinance movement. The primary sector dominates the essentially agrarian economy, with 2/3rd of the population dependent on agriculture and allied activities for their livelihood. So there is a huge scope of research in microfinance and CSR sector. Further these few scopes can also be identified.
1. The current study could have a wider section of the retail microfinance customers. So further research can also be done with different parameters.

2. The study can be further stretched to understand the customer satisfaction related to self serving technologies like internet banking, mobile banking, etc in microfinance sector.

3. The study can be further stretched to understand the changing role of bank branches owing to the availability and advancement of self serving technology in microfinance sector.

4. The study recorded the point of view of customer’s however employee’s point of view can also be taken before arriving at any conclusion.